

**Statement of  
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for  
Economic, Business and Agricultural Affairs  
House Committee on International Relations  
Subcommittee on Africa, Global Human Rights and International  
Operations**

**U.S. Engagement in Africa - Supporting Poverty Reduction through  
Economic Growth and Expanding Democracy  
June 30, 2005**

Thank you Chairman Smith, Ranking Member Payne and other members of the Subcommittee.

This hearing on Africa's development is very timely. Development is high on the international agenda. Five years ago, the international community agreed in the Millennium Declaration to ambitious goals, including cutting hunger and poverty in half by 2015 in order to more broadly share the benefits of world economic growth. This September the United Nations will review progress towards these goals. In the run-up to that event, President Bush and his colleagues at the G8 Summit will assess past efforts to support Africa's development and determine additional steps that we might take to accelerate progress towards these objectives.

The United States places special emphasis on Africa and supports the call for global attention to sub-Saharan Africa. The continent's future continues to look brighter as many countries in the region begin to reap the benefits of expanding democracy, sound economic policy, improved governance, and investments in key social sectors undertaken in the past decade. With a growing global economy, the continued growth of accountable and representative governments, and the recovery from several lengthy conflicts, much of Africa is poised to see more robust economic growth and improved living standards in the years ahead.

Despite these positive trends, sub-Saharan Africa continues to face enormous development challenges, including civil strife, political instability,

corruption, famine and disease. It remains the world's poorest region; half of its 700 million people live on less than \$1 per day; 4 million children under five years of age die each year of preventable causes; and 40 million children do not attend school. And it lags behind other regions of the world in progress towards internationally-agreed development goals.

Despite the challenges, Africa's successes must not be discounted. Africa is a place for business as well as for aid, and Africans share the universal goals of freedom and prosperity. This is the point of departure for U.S. engagement with Africa.

We applaud Prime Minister Blair's timely decision to focus on Africa and development at next week's G8 Summit at Gleneagles. In anticipation of this discussion, we have closely studied the Commission for Africa's report, Our Common Interest, issued in March 2005. This report is an important contribution to international discussion on African development. We agree fully with the key themes identified by the Commission as essential for Africa's continued and accelerated progress: good governance; peace and stability; trade; investment in people; and private sector development. These are similar to the areas identified in the 2002 G8 Africa Action Plan. We also concur with the need for strong engagement and partnership with Africa and the importance of strengthening the capacity of its regional institutions.

And yet, while we agree with the issues raised by the Commission, we differ with some key conclusions. While the report correctly stresses the importance of Africa action in partnership with donors, its recommendations overwhelmingly target donor action. More importantly, we disagree with the report's conclusion that a massive amount of new money is the solution to Africa's development needs. The \$25 billion per year price tag over the next five years rising to \$50 billion per year after 2010 is not based on empirical evidence or rigorous analysis; rather it is based on the notion of a rough doubling of recent assistance levels. Furthermore, it fails to take fully into account serious issues related to weak governance and limited absorptive capacity. It ignores significant recent aid increases to sub-Saharan Africa. OECD member states, which provide the bulk of development assistance, increased their aid to Africa 112% from \$8.1 billion in 2000 to \$17.2 billion in 2003. Moreover, donors have given the region official development assistance (ODA) equivalent to on average 10% of recipient country GDP annually for more than a quarter of a century - a sum

of \$326 billion. By comparison, as generous as the Marshall Plan was, Americans transferred the equivalent of only 2.5% of the combined GDP of recipients over four years. That poverty persists in Africa makes it clear that we need to look beyond the mere volume of assistance if we really want results.

### **The U.S. Record**

The United States is deeply committed to helping the poor, in Africa and elsewhere. No single country on earth can match our record. We are the world's largest donor of official development assistance, emergency humanitarian assistance and private charitable funding. This administration has overseen the most significant increase of development assistance since the Marshall Plan. ODA nearly doubled from \$10 billion to \$19 billion 2000 to 2004.

Multilaterally, the US played a critically important leadership role in recently concluding the tenth replenishment of resources for the African Development Fund (AfDF). As a result, more than \$5 billion will be available over the next three years to the poorest countries of Africa for such priorities as water supply and sanitation, private sector development, regional integration, and post-conflict reconstruction and stabilization.

We are looking at where we could provide additional resources to support good performers, encourage more reform, support efforts to improve governance, address critical health and education issues and generally build on what is working in Africa. But perhaps more importantly, this administration has engaged in a hard look at development success stories - and failures - to determine how to make our development assistance more effective.

### **Support for Good Performers**

Learning lessons from the past half-century, the U.S. approach to development focuses on results and increasingly supports good performers with the capacity to absorb aid and use it effectively. In the 2002 Monterrey Consensus, the world acknowledged that each developing country has primary responsibility for its own development. Change must come from within, and countries must "own" their development plans.

These principles underpin the Millennium Challenge Account (MCA). The MCA builds on common sense. Aid yields better results in countries that demonstrate their commitment to govern justly, respect the rule of law, invest in their own citizens, and open their economies. MCA eligible countries design their own development programs and set their benchmarks and targets for meeting their goals. The MCC concluded its first compact with an African nation, Madagascar, for nearly \$110 million. And a compact with Cape Verde has been approved and is ready for signature. Six other sub-Saharan African nations are eligible for the MCA and seven more are eligible to apply for MCA threshold assistance. Similar selective approaches are being successfully applied to other U.S. assistance programs as well as our trade expansion and debt relief efforts.

### **Peace and Security**

We are also refining our focus on working to address inter-related issues that have huge implications for development as well as global and U.S. security. These include, regional conflict and civil strife, disease, education, protection for the vulnerable, and humanitarian crises.

Some states face an array of challenges that make them less able to move forward with their development. They threaten the safety and prosperity of their own citizens as well as people beyond their borders. The Commission for Africa's report recommends tackling not only the causes of conflict, but building regional and global capacity to prevent and resolve conflict as well.

The United States is already pioneering approaches to these fragile states. We are working directly with at-risk populations in conflict areas to alleviate sources of potential conflict, including border disputes, inter-ethnic tensions, unemployment, and competition over resources. We are establishing at USAID a \$26 million conflict mitigation fund to address the causes and consequences of instability, violent conflict and extremism. Moreover, in order to ensure a well-coordinated U.S. response, the State Department established the Office of the Coordinator for Reconstruction and Stabilization. The 2006 budget request proposes, in addition to funding for the office, a \$100 million Conflict Response Fund to strengthen the Coordinator's ability to quickly channel resources into overseas programs, thereby speeding resources and impact on the ground.

Closely related to assistance for fragile states is U.S. cooperation with Africa on peace and security, a pre-requisite for development. Through the President's Global Peace Operations Initiative (GPOI), the goals of which were endorsed at the 2004 G8 Sea Island Summit, the United States will spend approximately \$100 million in FY 2005, most of which is going to Africa. In total, a proposed \$660 million over five years will be to increase global capacity for peace support operations in Africa and elsewhere. Through this initiative, we will bolster Africa's own plans to enhance conflict prevention and management capacity. Part of this involves efforts to stand up headquarters capabilities in the regional and sub-regional organizations, such as the African Union (AU) and the Economic Community of West African States (ECOWAS). The other part occurs at the national level, where the African Contingency Operations Training and Assistance (ACOTA) program, one of the key elements of GPOI, will provide training to over 40,000 peacekeepers over five years. In terms of ongoing support for conflict resolutions efforts, the United States is assessed over \$940 million in FY 2005 for the United Nation's peacekeeping operations in Africa. In addition, the United States is providing over \$145 million to support the AU mission in Sudan.

### **Investing in People: Health and Education**

Development requires healthy, well-educated citizens. Investments in health and education pay huge dividends by allowing Africans to be more productive and avail themselves of economic opportunities and political freedom. The Commission for Africa recommends more money be spent to fight infectious diseases like HIV/AIDS, malaria and polio; vaccinate and immunize African children; and develop medicines that meet Africa's needs. It also recommends investments in education. The United States is already making significant investments in these sectors and will continue to do so.

Our flagship program, the five-year, \$15 billion President's Emergency Plan for AIDS Relief (PEPFAR), includes the largest health initiative dedicated to a single disease in history. Africa is a major PEPFAR beneficiary; 12 of 15 focus countries are located on the continent where an estimated 25 million people are infected with HIV/AIDS. In 2004, African countries received nearly \$800 million for HIV/AIDS prevention and treatment from the United States; this figure will rise to \$1.1 billion in 2005.

But U.S. support for health extends beyond PEPFAR. The United States provided about \$1.1 billion, 29.5% of total contributions, to the Global Fund to Fight AIDS, Malaria and Tuberculosis. About 61% of the \$3.3 billion in Global Fund grant funding goes to Africa. We are the largest bilateral donor to the Polio Eradication Initiative, having contributed/pledged \$1.14 billion, or 28% of total, since 1985. In addition, the United States is the world's recognized leader in vaccine research and development and immunization funding. In 2004, the USG provided the majority of global HIV vaccine research funding. In addition, the United States accounts for approximately 45% of all government contributions to the Global Alliances for Vaccines and Immunizations. As of February 2005, the U.S. government had contributed roughly \$220 million.

In addition, this administration has been a leader in education for Africa. U.S. spending on basic education programs in Africa totaled nearly \$600 million in five years. During this five years, \$200 million USAID Africa Education Initiative (AEI), nearly 220,000 new and current teachers have been trained and over 1.8 million textbooks distributed. The AEI supports gender equality by targeting scholarships and other assistance for girls; more than 85,000 girls from 38 countries have received scholarships that enabled them to pursue an education.

### **Humanitarian Interventions**

The Commission for Africa calls for enhanced efforts to protect the most vulnerable in society. The USG is already taking action. PEPFAR set a goal to support care for over 1.1 million HIV positive persons, AIDS orphans, and vulnerable children by June 2005, a goal we exceeded by September 2004. And as I already noted, we also have a programs in place to increase girls' school attendance. Moreover, the United States funds a variety of programs to assist victims of conflict, violence and trafficking in persons. And our democracy and government programs assist women and other potentially disadvantaged groups gain a greater voice in government and civil society.

People are at their most vulnerable when facing a natural or man-made humanitarian crisis. At that moment, it is important to meet their immediate needs. Here the United States is a consistent leader. Thus far in FY 2005, the United States has already provided nearly \$1.4 billion to meet humanitarian needs in Africa. On June 7, President Bush announced

approximately \$674 million in additional resources to respond this year to African humanitarian emergencies. Together with Prime Minister Blair, President Bush called on other donors to increase their engagement to address Africa's humanitarian emergencies.

## **Debt**

In order to free up developing country resources for even greater investments in development, the Commission for Africa calls for a debt compact that would cancel multilateral and bilateral debt, principal and interest, by up to 100% for all sub-Saharan African countries, including those excluded from current schemes. As a result of a G8 commitment made at Sea Island to deal with the unsustainable debt burden of the poorest countries, the USG was instrumental in bringing about G8 agreement on a historic debt relief program. At their June 10-11 meeting in London, G8 Finance Ministers reached agreement on a proposal to expand debt relief and forgive 100 percent of the debt owed by the Heavily Indebted Poor Countries (HIPC)s to the International Development Association (IDA), the IMF, and the African Development Fund. The USG strongly supports the proposal and is working actively to gain its approval by the shareholders of these three institutions. Mr. Bobby Pittman from the Treasury Department will be informing you in greater detail on the USG's strong record of debt relief to Africa.

## **Enhancing Aid Effectiveness**

At Monterrey, countries also agreed that steps needed to be taken by donor and recipient countries alike to develop better, more efficient means of delivering and utilizing assistance, a call that is echoed by the Commission for Africa. The United States has enthusiastically taken up that call. Central to that effort is a shift in our way of thinking about assistance. We do not want to impose our ideas and methodologies; rather we are supporting developing countries own strategies for making change, while still ensuring strict accountability to achieve concrete measurable results. The MCA provides a good example of how we are putting this new thinking into action.

Poor governance and corruption continue to be an insidious problem facing many African countries despite significant steps being taken by the AU and many individual African governments. Nearly 50 years of

experience with development assistance reinforces this conclusion. Corruption is a key hurdle. As President Bush recently stated in a message to the Fourth Global Forum on Fighting Corruption, "corrupt practices undermine government institutions, impede economic and social development, and cast shadows of lawlessness that erode the public trust." The Commission for Africa also notes that without significant additional progress in this area, all the other recommendations it makes - on aid, international trade and debt - will only have limited impact. We are committed to working with dedicated partners to employ effective anti-corruption measures, including vigorously prosecuting bribe payers and takers and denying safe haven to the corrupt, their corrupters and their tainted assets. We will help African countries build transparent fiscal and budgetary policies that let their citizens see how revenues are raised and where public money it is spent.

### **Beyond ODA**

USG official development assistance is but one source of the U.S. financial flows available to Africa and the rest of the developing world. Private American citizens and companies are extremely generous to those in need. During 2003, U.S. non-government organizations gave more than \$6.3 billion to developing countries, equivalent to 62% of total OECD private institutional grants. U.S. business and private individuals contribute billions more.

The UN report "Unleashing Entrepreneurship" underscored the critical role that private entrepreneurship plays in promoting economic growth and delivering goods and services to the poor. To jump start economic growth, developing countries must tap all available resources for development, including private sector resources such as trade, investment, remittances and domestic savings. In 2004, U.S. non-trade private financial flows to developing countries, totaled \$49 billion, two and one-half times U.S. ODA flows. In addition, U.S. net goods imports from developing countries were \$444 billion, dwarfing the size of all other financial flows.

But by far, the largest potential source of funds for development in 2004 was the \$2.7 trillion in developing countries generate as savings within their own economies. Compare that to the \$79 billion in total ODA to developing countries from all sources and you start to get an idea of how misguided it is to rely on ODA alone to meet developing country resource



needs. That said, ODA could play an important role as a catalyst in support of unleashing the development potential of private sector resources and entrepreneurship.

Perhaps no single factor has as much immediate potential to lift vast numbers of people --- as many as 500 million -- out of poverty as increased trade. As UN Secretary General Kofi Annan remarked, "The poor are poor not because of too much globalization, but because of too little." Noting the importance of trade, the Commission for Africa calls for significantly greater effort in expanding African trade. In particular, it recommends donors improve Africa's access to developed country markets and the continent's capacity to trade.

The United States continues to demonstrate global leadership in expanding trade with Africa. The African Growth and Opportunity Act (AGOA) stands as the centerpiece of our trade policy towards sub-Saharan Africa. This progressive trade and investment policy reduces barriers to trade, increases exports, creates jobs, and expands opportunities for Africans to build a better life. Under AGOA, 98% of beneficiary country exports to the United States enter duty free. The impact of the AGOA legislation can be seen in our expanding trade relationship with the sub-Saharan Africa. From 2000-2004, U.S imports from the region increased by over 50% while U.S. exports increased 44%. During that same period, AGOA helped diversify African countries' exports, create tens of thousands of new jobs, and attract hundreds of millions in new investment. To build and improve on AGOA's success in supporting African trade and development, in July 2004 President Bush signed the AGOA Acceleration Act that extends AGOA's duty free access to the United States through 2015.

We are also working actively within the World Trade Organization to further unleash the power of trade for development. These negotiations present a once-in-a-generation opportunity to create substantial new real market access for developed and developing countries alike in agriculture, manufactured goods, and services. Last year, we secured agreement to include sharp cuts in agricultural trade barriers in the Doha negotiations. This includes elimination of export subsidies by a credible date, substantial reductions in trade-distorting domestic support, and substantial improvements in market access. We are now working with urgency to bring negotiations to a conclusion by the end of 2006. Recognizing that 70% of tariffs on trade are imposed by developing countries on other developing

countries, we are working to ensure meaningful contributions by all -- particularly the advanced developing countries -- to improving market access. We are also working with African governments to incorporate trade reforms into their development strategies, thereby lowering the obstacles to trade both within Africa and between African countries and other developing countries, including India, China and Brazil.

The upcoming AGOA Forum -- which takes place in Dakar, Senegal, July 18-20 -- will provide an opportunity for senior USG officials to meet with leaders from the 37 AGOA beneficiary countries to review the spectrum of issues affecting U.S.-sub-Saharan Africa trade and investment.

We also agree with the Commission for Africa's assessment that trade capacity building is needed if African nations are to be able to gain access to the global market economy and take advantage of the benefits AGOA and WTO membership have to offer. As the world's largest single country contributor of trade capacity building assistance, the United States has made Africa a priority and committed more than \$400 million from 2002-2004 for this purpose.

The Administration will continue to work diligently to widen the circle of prosperity, in Africa and elsewhere in the developing world. First it is the moral thing to do. And as we know in this post 9/11 era, it is essential for our national security. But as we work in partnership with Africans in pursuit of sustainable economic growth and poverty reduction, we will do so in a way that reflects American values - hard work, responsibility, and practicality. We will continue to pursue smarter ways to provide more and better aid. But we will do so with the knowledge that more money alone is not the answer, and may well prove to be counter-productive for those nations that lack adequate governance and capacity to effectively utilize that aid. We have great faith in Africans' own ability to boldly pursue their own dreams of greater economic prosperity and political freedom. The most dramatic poverty reduction stories of our time - China and India - occurred with development aid of less than one percent of GDP annually. To think that Africa cannot follow this same path smacks of - in the words of President Bush - "the soft bigotry of low expectations."